


# TRINITY COUNTY

## Office of the County Counsel

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TO: The Honorable Michael Harper,  
Judge of the Superior Court

FROM: Margaret Long, County Counsel 

CC: Clerk of the Board of Supervisors

SUBJECT: Response to Recommendations of 2015-16  
Grand Jury Continuity Committee Final Report  
Re: Community Development Block Grant Loans  
MONEY, MONEY NOWHERE.... THE BUCK STOPS HERE!!

DATE: August 1, 2016

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The Grand Jury has requested a written response to their final report on the Community Development Block Grant Loans. The County does not currently have a County Administrative Officer. By way of Trinity County Resolution No 2015-128, my office has temporarily been given supervision of the Grants Department, which administers the CDBG program. Therefore, as the temporary supervisor of the CDBG programs, I will attempt, where possible, to respond to these findings:

**Finding #1:** The Loan Grants accounting spreadsheet is unorganized, poorly documented and in great need of management oversight.

**Response:** The Trinity County Grant Department will consider this finding and look at creating a more organized spreadsheet.

**Recommendation #1:** The County should do an immediate audit of the CDBG portfolio accounting, as well as the Housing Rehab loan portfolios. The Grants Department should take advantage of online accounting spreadsheets.

**Response:** Requires further analysis and will be recommended to the County Administrative Officer upon hire.

**Finding #2:** There is NO servicing of the loans in the CDBG portfolio other than the posting of payments, mailing out Certificates of Occupancy and Payment Coupon Books. There

are no default notifications or collection efforts on the part of the County, resulting in the write off of much needed money for support services.

**Response:** Disagree. To the best of its ability, and with no staffing, the County has attempted to take steps to send out default notices and commence collection efforts. However, collected funds are not allowed by CDBG to be used for supportive services so the proposed recommendation in this finding would be considered an illegal use of the funds.

**Recommendation #2:** The County must immediately begin servicing these loans and bringing them up to date by sending out notices of late payments due, opening up communication with borrowers and, if need be, beginning foreclosure as stipulated in loan agreements. Income received would more than cover administrative costs. It should be mandatory to report the status of these loans monthly to the BOS.

**Response:** Agree in part. See response to Finding 2. The County cannot use "income received" from servicing the CDBG loads to cover administrative costs. By CDBG regulations, this is not allowed.

**Finding #3:** The HRLC has no clear method to make loan decisions.

**Response:** Disagree. The CDBG program has undergone three major modifications and regulation changes. It has only recently developed program income guidelines and agreements, which the County has adopted.

**Recommendation #3:** A check list or risk assessment policy should be created to ensure the equitable decision making for future loans or amendments. Both HUD and CDBG websites, as well as written procedure manuals, must be used as required by the programs.

**Response:** Agree. Tools such as a checklist or risk assessment policy would be good tools to utilize.

**Finding #4:** The HRLC has violated the Brown Act by holding email/phone call meetings as well as conference call meetings.

**Response:** Disagree. Upon investigation, it does not appear that the HRLC is a Brown Act committee. The County will continue to monitor this.

**Recommendation #4:** Both the BOS and general public should review the documentation and refer violations to the District Attorney for prosecution, if warranted.

**Response:** Disagree. Please be aware that it is illegal to report loan status in open meetings and could potentially result in a privacy breach claim against the County.

**Finding #5:** The BOS and the HRLC failed to provide the required special "Public Meetings" regarding grant funds.

**Response:** Disagree. The County is holding all required public meetings. This is being confirmed with our representative from the State. It should be noted that the public meetings in 2014, one in Hayfork and one in Weaverville, were very well attended. There were also public meetings in 2015 and 2016.

**Recommendation #5:** Going forward, the BOS shall ensure transparency of all County business and adhere to Federal and State Laws to avoid possible prosecution.

**Response:** Agree. However, as discussed above, there is confidential information that cannot be disclosed.

**Finding #6:** The HRLC meeting minutes indicate new Committee members should be installed with each new open Grant. Current members have been in place for at least the past ten (10) years.

**Response:** This will have to be investigated. It should be noted, as indicated in the report, that a new grant has not been opened in a substantial period of time.

**Recommendation #6:** With the exception of the County Auditor and a rotating member of the BOS, current committee members should be removed immediately and replacements found among private citizens sought via an advertisement in the Trinity Journal.

**Response:** Disagree. The County thanks those volunteer members of the committee who have faithfully served the citizens of Trinity County. The County will investigate the composition of the committee and look into the composition of the committee.

**Finding #7:** Due to its inability to properly service the outstanding loans, the Grant Department has suspended applications for new housing/business programs since 2010.

**Response:** Disagree. There appears to be a misunderstanding that the money collected from servicing outstanding loans can fund County staff to allow for new housing/business loans.

**Recommendation #7:** The BOS should make re-establishment and reorganization of the Grant Department a priority. They must budget appropriately to attract and retain qualified employees with lending, collections and grant writing experience. Additionally, in order to encourage local citizens to apply, if otherwise qualified applicants lack particular skills, training should be provided to ensure the Department complies with state and federal lending laws, as well as HUD requirements.

**Response:** Agree in part. The County would like to re-establish the Grant Department, but the cost to do so would be an estimated \$60,000 per year of General Fund dollars. Unfortunately, the County does not have the financial resources to reestablish the Grant Department at this time.